

15 May 2019

# Eyeopener

## Today GDP growth data and MPC meeting

Rebound after spike in risk aversion

PLN and HUF weaker, CZK and RUB gain, EUR under pressure of Italian politics

Polish bonds lose somewhat after earlier major strengthening

Today data on Polish GDP and CPI, MPC decision in the afternoon

**March data on current account balance** proved much better than expected, with EUR0.5bn surplus instead of expected EUR1.2bn deficit. Moreover, February's deficit data was markedly revised to EUR0.3bn from EUR1.4bn. Revisions in imports were the main culprit, as March reading was lower than expected and February data was revised down by EUR1bn. We have not recorded any unexpected weakness in domestic demand, so this is a bit puzzling. Exports growth rose by 7.9% y/y in March, and imports by a mere 1.4% y/y (the lowest growth rate since July 2016). NBP commented that exports growth was still supported mainly by commercial vehicles, car parts and copper (the latter seems a temporary factor as the domestic producer probably disposed of most of its extra stocks by now). On the imports side the key categories were oil, but also new cars and TV sets (which fits the recent data on strong demand for durable goods). 12M rolling sum of C/A to GDP suddenly rose in March from -0.7% to -0.4%.

**Today at 1000CET there is flash GDP release for 1Q and final CPI data for April.** The German GDP figure released today was in line with expectations and showed that the neighbouring economy has not entered a recession. As for the Polish data, we expect a slowdown in 1Q to 4.5% y/y, albeit the yesterday data on March C/A generated some upside risk for the forecast. Monthly indicators proved that the Polish economy remained quite strong at the start of the year, and industrial output rose even faster than in late 2018. The detailed structure of growth will be available at the end of the month and at that time we expect to see another strong print of consumption and deceleration of investments. In the following quarters the GDP growth will be gradually slowing. GUS will also release the details of April CPI (which was much higher than expected, 2.2% y/y). We would not be surprised if the final print was even higher than the flash reading, as the stats office might have raised its estimate of fuel price change.

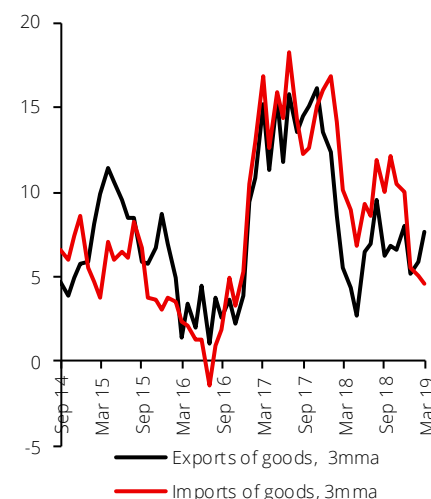
In the afternoon we will watch **the decision and the press conference of the MPC.** Rates will most likely remain unchanged and we do not expect the official communication to change much as well. While since February (when PIS pre-election promises were announced) already six members of the Council stated that it is no longer possible to guarantee rates stability until the end of the term, and April inflation was higher than expected, but in our view the opinion of the president Adam Glapiński will still dominate. The MPC's internal consensus is unlikely to change significantly as long as inflation remains below the 2.5% y/y target and before there is higher conviction that the upward tendency in consumer prices is persistent rather than transitory. We have not seen E. Gatnar, J. Kropiwnicki and R. Sura at MPC press conferences for a while so it may be the turn of two of them to assist the governor. While the first one might stress the risk of CPI getting above NBP forecasts and suggest corrective action next year, the latter two would in our view only signal that only a prolonged tendency in CPI readings could be a trigger for the MPC, not just one surprisingly strong reading (for April).

**EURUSD** was long stable near 1.124 and fell to 1.12 in the afternoon in reaction to the Italian deputy PM saying that Italy could break some EU fiscal rules if there is a need to support the job creation. Today, the US retail sales data could have the key impact.

**EURPLN** continued to rise albeit at a slower pace than in the previous days. The negative effect of the falling EURUSD was partly neutralized by a rebound on the European stock exchanges. Still, EURPLN managed to set the fresh May high (c4.31), its highest since first half of March. USDPLN rose to 3.844 from 3.832. In our view, Poland GDP and CPI may surprise to the upside which could be positive for the zloty.

**On the domestic interest rate market** IRS and bond yields stabilised after a noticeable drop recorded in the previous days, on the long end of the debt curve rates rose by c1bp. We think that today's Polish GDP data could be bond-positive as they could limit the market concerns about the risk of a fiscal situation deterioration.

### Foreign trade turnover, % y/y



Source: NBP, Santander

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## FX market

### Today's opening

EURPLN	4.3092	CZKPLN	0.1673
USDPLN	3.8448	HUFPLN*	1.3272
EURUSD	1.1208	RUBPLN	0.0592
CHFPLN	3.8116	NOKPLN	0.4395
GBPPLN	4.9634	DKKPLN	0.5771
USDCNY	6.8653	SEKPLN	0.4002

\*for 100HUF

### Last session in the FX market 14/05/2019

	min	max	open	close	fixing
EURPLN	4.303	4.311	4.308	4.307	4.3085
USDPLN	3.829	3.846	3.835	3.842	3.8323
EURUSD	1.120	1.124	1.124	1.121	-

## Interest rate market 14/05/2019

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
OK0521 (2L)	1.62	0	21 mar 19	OK0521	1.633
PS0424 (5L)	2.21	0	21 mar 19	PS0424	2.209
DS1029 (10L)	2.85	2	21 mar 19	DS1029	2.877

### IRS on the interbank market\*\*

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.74	0	2.44	1	-0.24	0
2L	1.82	0	2.28	2	-0.22	-1
3L	1.87	0	2.22	2	-0.17	-1
4L	1.95	0	2.21	2	-0.10	-1
5L	2.03	0	2.22	2	-0.02	-1
8L	2.23	0	2.32	2	0.26	-1
10L	2.35	0	2.38	2	0.44	-1

### WIBOR rates

Term	%	Change (bps)
O/N	1.80	11
T/N	1.80	11
SW	1.62	3
2W	1.60	1
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.81	0
1Y	1.87	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	1.72	0
3x6	1.72	1
6x9	1.72	0
9x12	1.74	-1
3x9	1.79	0
6x12	1.80	-1

### Measures of fiscal risk

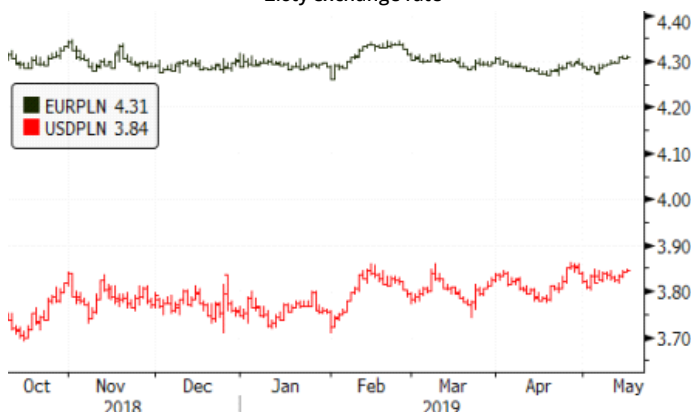
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.93	2
France	29	1	0.40	0
Hungary			3.24	-3
Spain	58	0	1.04	0
Italy	208	4	2.79	-1
Portugal	65	-1	1.20	0
Ireland	33	-1	0.58	-1
Germany	12	0	-	-

\* 10Y treasury bonds over 10Y Bunds

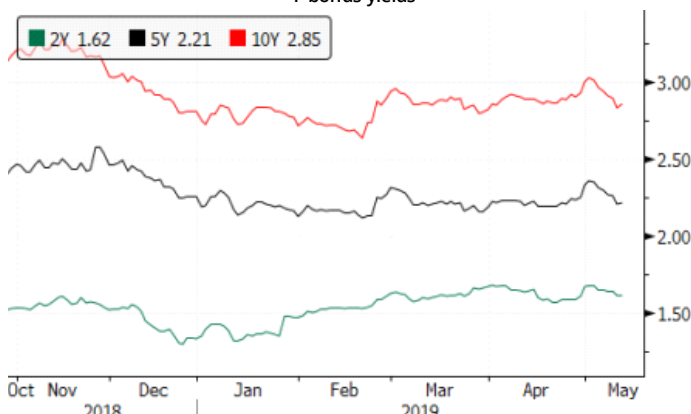
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

## Zloty exchange rate



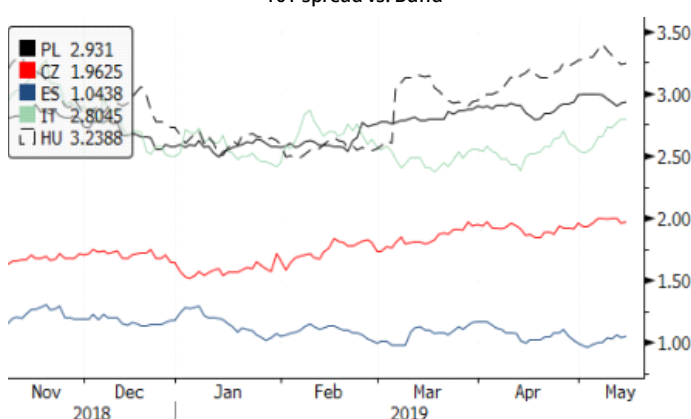
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (10 May)								
08:00	DE	Exports SA	Mar	% m/m	-0.4	-	1.5	-1.3
14:30	US	CPI	Apr	% m/m	0.4	-	0.3	0.4
MONDAY (13 May)								
09:00	CZ	CPI	Apr	% y/y	3.0	-	2.8	3.0
TUESDAY (14 May)								
08:00	DE	HICP	Apr	% m/m	1.0	-	1.0	1.0
11:00	EZ	Industrial Production SA	Mar	% m/m	-0.3	-	-0.3	-0.1
11:00	DE	ZEW Survey Current Situation	May	pts	6.3	-	8.2	5.5
14:00	PL	Current Account Balance	Mar	€mn	-1 233	-1 187	553	-342
14:00	PL	Exports	Mar	€mn	19 804	19 772	19 654	18 324
14:00	PL	Imports	Mar	€mn	20 885	20 733	19 065	18 691
WEDNESDAY (15 May)								
	PL	MPC decision		%	1.50	1.50		1.50
08:00	DE	GDP WDA	1Q	% y/y	0.7	0.7		0.6
09:00	CZ	GDP SA	1Q	% y/y	2.4	-		2.6
09:00	HU	GDP	1Q	% y/y	4.9	-		5.1
10:00	PL	CPI	Apr	% y/y	2.2	2.2		1.7
10:00	PL	GDP	1Q	% y/y	4.4	4.5		4.9
11:00	EZ	GDP SA	1Q	% y/y	1.2	-		1.2
14:30	US	Retail Sales Advance	Apr	% m/m	0.2	-		1.6
15:15	US	Industrial Production	Apr	% m/m	0.0	-		-0.1
THURSDAY (16 May)								
14:00	PL	CPI Core	Apr	% y/y	1.7	1.8		1.4
14:30	US	Initial Jobless Claims	week	k	220	-		228
14:30	US	Housing Starts	Apr	% m/m	7.11	-		-0.3
14:30	US	Index Philly Fed	May	pts	11.0	-		8.5
FRIDAY (17 May)								
11:00	EZ	HICP	Apr	% y/y	1.7	-		1.7
16:00	US	Michigan index	May	pts	97.9	-		97.2

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated

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